GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:432
ANSWERED ON:16.12.2016
Premium Refund on Lapsed LIC Policies
Gavit Dr. Heena Vijaykumar;Mahadik Shri Dhananjay Bhimrao

Will the Minister of FINANCE be pleased to state:

(a) whether a number of Life Insurance Corporation of India (LIC) policies are considered as lapsed on account of default in payment of premium, if so, the details thereof;

(b) the norms for declaring a policy lapsed due to non-payment of further premium;

(c) if so, whether this amount is refunded to policy holder and if not, the reasons therefor; and

(d) the steps taken/proposed to be taken by the Government to refund the paid premium of policy holder despite the policy become lapsed?

Answer

THE FINANCE MINISTER

(a) to (d) : A Statement is laid on the Table of the House.

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STATEMENT REFERRED TO IN REPLY TO PART (a) TO (d) OF LOK SABHA STARRED QUESTION NUMBER *432 FOR 16th DECEMBER, 2016 REGARDING PREMIUM REFUND ON LAPSED LIC POLICIES TABLED BY SHRI DHANANJAY MAHADIK AND DR. HEENA VIJAYKUMAR GAVIT

(a) to (d): Life Insurance Corporation of India (LIC) policies are considered as lapsed when the premium due under the policy is not paid within the grace period prescribed. The lapsed policy can be revived within a period of two years from the date of lapsation by paying arrears of premium with interest and fulfillment of medical requirements, if any. The percentage of lapsed policies of LIC is around 4% on an average during the last three years. The premiums received under the lapsed policies become part of the overall Life Fund.

On all those policies which have premium paying term (PPT) of 10 years or more, where premia are paid for less than three years, then policies stand lapsed. Similarly, in all products with premium paying term of less than 10 years, where premia are paid for less than two years, then the policies stand lapsed.

However, as per Regulation 35 of the IRDA (Non-Linked Insurance Product) Regulations 2013, they acquire guaranteed surrendered value if premia are paid for at least three consecutive years with premium paying term of 10 years or more and similarly, if premia are paid for at least two consecutive years with a Premium Paying Term of less than 10 years.

Regulation 35(f) of the above said Regulations stipulates that a policy which has acquired a surrender value shall not lapse by reason of the non-payment of further premiums but shall be kept alive to the extent of the paid-up sum insured. The IRDAI (Acquisition of Surrender and Paid Up Values) Regulations, 2015 stipulate formulae for calculation of surrender value and norms for arriving at the paid up value.